

Vice Chairman Rodney Hood meets with Congressman Spencer Bachus

Vice Chairman Rodney E. Hood met with Congressman Spencer Bachus, ranking Financial Services Committee Member, on Capitol Hill May 24, 2007, to discuss the actions taken by NCUA to prepare for the upcoming hurricane season and discuss credit union safety and soundness.

“NCUA is taking proactive measures to maintain the safety and soundness of the credit union system and protect the financial well being of members in the event of a hurricane, and I appreciate the opportunity to discuss these issues with ranking member Bachus,” stated Vice Chairman Hood. “Congressman Bachus knows and understands credit unions and is extremely influential on all issues affecting financial institutions. I look forward to working with him and the House Committee on Financial Services in the future to strengthen the economy while maintaining the safety and soundness of America’s financial institutions.”

The discussion included NCUA’s improved contingency processes for information reporting and communication and various updates to the examination processes. For more information,

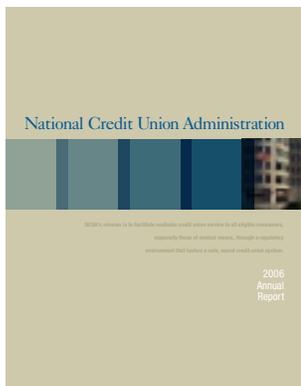


Washington, D.C., May 24, 2007—Vice Chairman Rodney Hood presents Congressman Spencer Bachus (R-AL) with a copy of NCUA’s 2006 Annual Report during a visit to Capitol Hill to brief the Congressman on proposed regulatory changes and hurricane preparedness.

please visit <http://www.ncua.gov/RegulationsOpinionsLaws/proposedregs/P-748.pdf> and <http://www.ncua.gov/letters/2006/CU/06-CU-12.pdf>. Also, last June NCUA distributed a letter to credit unions regarding participation in GoDirect, an initiative aimed at protecting Americans by offering seamless delivery of federal benefits, including social security payments. The letter is available online at <http://www.ncua.gov/letters/2006/CU/06-CU-09.pdf>.

<http://www.ncua.gov/letters/2006/CU/06-CU-09.pdf>. Credit unions can partner with the GoDirect campaign and receive more information by visiting <http://www.godirect.org> and by calling 1-800-333-1795.

NCUA 2006 Annual Report is issued



The *NCUA 2006 Annual Report*, NCUA’s official report to the President of the United States, Congress and the credit union community on NCUA operations and the condition of credit unions, is available free of charge. The report contains the financial statements of the NCUA Operating Fund, National Credit Union Share Insurance Fund, Community Development Revolving Loan Fund, and Central Liquidity Facility.

The NCUA Annual Report is available online at <http://www.ncua.gov/ReportsAndPlans/annualrpt/annualrpt.html>. Secure a free hardcopy from NCUA publications at 703-518-6340 or email OCFODistCtr@ncua.gov.

HIGHLIGHTS

CU assets and savings grow	2
FinCEN delays SAR revision	2
News briefs	2
Board actions	3
Hyland on chartering proposal	3
2007 CU Directory issued	3
Conversations with America	4
Hoods vows to fight CU taxation	4
Prepare for Hurricane season	5
Register for LA “Town Hall” meeting	5
Johnson praises CU outreach	6
Nontraditional mortgage illustrations issued	6

Assets, savings and membership grow

Credit unions reported strong savings and asset growth while membership grew to over 86 million people during the first quarter of 2007 according to Call Report data submitted by the country's 8,305 federally insured credit unions.

"Epitomizing the good health of the financial system, during the first quarter of 2007 federally insured credit union assets grew 3.4 percent and savings expanded a strong 4.2 percent," Chairman JoAnn Johnson said. "What's more, while loan growth was marginal, loan performance was strong as noted by the 4.7 percent decline in delinquencies and net charge-offs."

Examining the changes in major balance sheet categories and membership growth in federally insured credit unions, between December 31, 2006, and March 30, 2007.

- Assets increased 3.4 percent to \$734.3 billion from \$710.0 billion;
- Loans increased 0.2 percent to \$495.4 billion from 494.3 billion;
- Investments increased 3.5 percent to \$139.2 billion from \$134.5 billion;

- Shares increased 4.2 percent to \$626.3 billion from \$601.2 billion;
- Net worth increased 1.5 percent to \$83.2 billion from \$82.0 billion; and
- Membership increased 0.5 percent to 86.1 million members

Share accounts grew across the board. Call Report data indicates the combined share account, which includes share certificates, money market shares and IRA/KEOGH accounts, grew 4.3 percent to \$364.8 billion in the first 3 months of 2007. Regular shares grew 3.2 percent to \$187.1 billion, and share drafts grew 6.1 percent to \$74.4 billion.

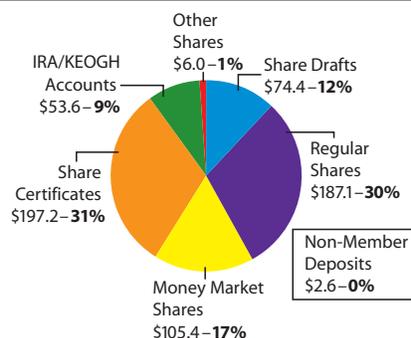
Reviewing asset specifics, real estate loans expanded, the largest category of credit union lending. First mortgage real estate loans grew 2.0 percent to \$162.9 billion while other real estate loans grew 0.4 percent to \$84.7 billion. Other lending categories showed slight declines as,

tracking historic trends, lending slowed in the first quarter. New auto loans declined a slight 0.8 percent to \$87.8 billion while used auto loans declined 0.2 percent to \$87.4 billion.

While trending somewhat lower, the quarter ended with credit unions reporting an annualized return on average assets of 0.73 percent as an increased cost of funds, associated with shares moving into higher yielding accounts, and slower-paced lending saw net income decline by annualized 7.43 percent.

Details of first-quarter 2007 data are available on a consolidated balance sheet and March 31, 2007 Facts/Summary posted online at <http://www.ncua.gov/data/FOIA/foia.html>.

Share Distribution (Billions of Dollars)



NCUA News

National Credit Union Administration

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures most credit unions.

JoAnn Johnson, *Chairman*
Rodney E. Hood, *Vice Chairman*
Christiane Gigi Hyland, *Board Member*

Information about NCUA and its services may be secured by contacting 703-518-6330.

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FinCEN delays SAR reporting form revision

NCUA *Regulatory Alert 07-RA-03*, available online at http://www.ncua.gov/reg_alerts/reg_alert.html, announced in May that FinCEN has delayed implementing the revised Suspicious Activity Report Depository Institution (SAR-D) reporting form scheduled to begin use June 30, 2007.

This delay does not affect the Bank Secrecy Act (BSA) filing requirements for suspicious activity reporting. Credit unions should continue using the current SAR form until FinCEN establishes a new compliance date for the revised form.

News briefs

Peer average ratios based on March 2007 data are available for individual credit unions via NCUA's website <http://webapps.ncua.gov/ncuaafpr/>. The single credit union 2-page summary Financial Performance Report (FPR) is available online while a detailed FPR and an FPR that aggregates data from multiple credit unions is available via email.

Accounting Bulletin 07-01 eliminates the regulatory accounting practice of recording Donated Equity upon receipt of tangible fixed asset donations of material value in favor of following generally accepted accounting principles in recognizing income.

Accounting Bulletin 07-02 provides a regulatory accounting practice for NCUA grants received by small credit unions, i.e., credit unions under \$10 million in assets.

Board actions May 24, 2007



Proposal would incorporate Bylaws into regulations

The NCUA Board issued a proposal to once again incorporate the Federal Credit Union Bylaws into NCUA regulations. Incorporating the Bylaws into regulation §701.2 by reference clarifies NCUA's ability to use its administrative authority, when appropriate, to enforce FCU Bylaw compliance.

The FCU Bylaws were incorporated in NCUA regulations until the 1980's, when the Bylaws were removed as part of a general deregulatory effort. It is important to note, reincorporating the Bylaws in the regulations imposes no new regulatory burden because all FCUs are required to have NCUA-approved bylaws.

The proposal would also add a new bylaw on director succession, revise the introduction to reflect the Bylaws' status as a regulation, and include a streamlined process for adopting bylaw amendments previously approved by another FCU. The proposal is issued with a 60-day comment period.

Community chartering policy changes proposed

The NCUA Board issued proposed revisions to Part 701.1, the Chartering and Field of Membership Manual, (Interpretive Ruling and Policy Statements 03-1, as amended by IRPS 06-1) to clarify what comprises a well-defined local community, clarify supporting documentation requirements, and add a public comment procedure for certain types of multiple jurisdiction community charter applications.

Proposed rule changes are being considered to establish objective standards, reduce ambiguity for applicants and ensure more efficient agency evaluations. Among its many provisions, the proposal provides guidance explaining what evidence is needed to demonstrate a well-defined local community. It also provides a new statistical definition to be applied when a community charter application involves multiple political jurisdictions.

The proposed amendment also includes a provision that NCUA would seek public comment when a community charter application does not meet local community definition requirements. The proposed rule is issued with a 60-day comment period.

Technical corrections finalized

The NCUA Board approved a final rulemaking addressing minor technical corrections, clarifications and grammatical changes affecting a number of regulations as part of the agency's regular rule review process.

Some added amendments include:

- A cross-reference between regulations addresses credit union borrowing authority;
- A statement explains when an FCU cancels coverage it must comply with any applicable law allowing officials to continue coverage at their own expense;
- Clarification that indemnification for dual employees is limited to activities on behalf of the FCU; and
- Removal of certain regulatory references to NCUA's FCU Bylaws inaccurate due to Bylaw revisions.

The rule changes are effective upon publication in the Federal Register.

Board votes are unanimous unless noted. Proposed and final rule changes are available online at <http://www.ncua.gov/RegulationsOpinionsLaws/index.htm>.

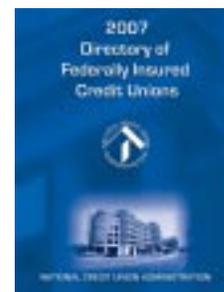
Board Member Hyland's statement on community chartering policy proposal

"The proposed Interpretive Ruling and Policy Statement 07-1 (IRPS 07-1) provides clear guidance using objective, measurable standards on what constitutes a well-defined local community. I firmly believe that these proposed changes will result in a more objective application of the standards, particularly in community charter applications involving large, multi-jurisdictional areas.

However, while I support issuance of this IRPS for public comment, I do not fully agree with extending the new process to applications for underserved areas. As a matter of policy, this

Board was forced last year to limit the availability of underserved areas to only multiple-group federal credit unions. We have subsequently made it a priority to seek legislative relief so that all federal credit union charter types would be able to obtain an underserved area. We also have strongly encouraged credit unions to reach out to the underserved in any way possible. I believe that requiring a credit union to first show that an area is a well-defined local community and then to also show that it is underserved is not fully consistent with previously stated Board policy."

2007 Directory of Federally Insured Credit Unions Issued



The 2007 directory contains a state-by-state, alphabetical listing of all federally insured credit unions as of January 1, 2007. The directory includes public and corporate credit unions and comprehensive statistics for both types of credit unions.

The document is available online at <http://www.ncua.gov/data/directory/2007/CUDirectory07.pdf>.

Order a hardcopy directory for \$15 from NCUA Publications at 703-518-6340.

Conversations with AMERICA



My Government Listens

Date: Monday, June 18, 2007

Event: Rhode Island League Annual Meeting

Who: Board Member Gigi Hyland

Location: Providence, RI

Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Saturday, June 23, 2007

Event: Small CU Workshop

Who: Board Member Gigi Hyland

Location: Albany, NY

Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Monday, June 25, 2007

Event: Visit Alternatives CU

Who: Board Member Gigi Hyland

Location: Ithaca, NY

Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Tuesday, June 26, 2007

Event: CUNA's Supervisory Committee Conference

Who: Chairman JoAnn Johnson

Location: Atlantic City, NJ

Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Monday, July 16, 2007

Event: Outreach Task Force Town Hall Meeting

Who: Board Member Gigi Hyland

Location: Los Angeles, CA

Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Thursday, July 19, 2007

Event: NAFCU 40th Annual Conference

Who: Chairman JoAnn Johnson

Location: Honolulu, HI

Contact: Linda Queen at lqueen@ncua.gov or 703-518-6309

Date: Friday, July 20, 2007

Event: NAFCU 40th Annual Conference

Who: Vice Chairman Rodney Hood

Location: Honolulu, HI

Contact: Sally Ridgely at sridgely@ncua.gov or fax 703-519-4017

Date: Friday, July 20, 2007

Event: NAFCU 40th Annual Conference

Who: Board Member Gigi Hyland

Location: Honolulu, HI

Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318

Date: Friday, July 27, 2007

Event: ALM First Financial Strategies Forum

Who: Vice Chairman Rodney Hood

Location: Bachelor Gulch, CO

Contact: Sally Ridgely at sridgely@ncua.gov or fax: 703-519-4017

Date: Saturday, July 28, 2007

Event: WOCCU Regulators' Roundtable

Who: Board Member Gigi Hyland

Location: Calgary, Canada

Contact: Nina Bullard at nbullard@ncua.gov or 703-518-6318



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Vice Chairman Hood vows to fight CU taxation

Vice Chairman Rodney E. Hood addressed the Municipal Credit Union's Annual Meeting May 8, 2007, in New York City. Vice Chairman Hood was the first guest speaker invited to their annual meeting as the credit union marked a milestone celebrating 90 years of service.

Mr. Hood wished Municipal Credit Union a happy 90th anniversary and commended Bill Porter, current Board director and former president and CEO, for his tremendous leadership and vision in sustaining an institution originally designed as an alternative to loan-sharks and still operating as an alternative to payday and predatory lenders.

"The leaders of Municipal Credit Union time after time have galvanized their resources and taken the necessary steps to serve their member-owners," Vice Chairman Hood said.

Last year, New York state credit unions granted over \$195 million in affordable loans to promote the dream of homeownership. One fundamental element in granting affordable loans to families in underserved communities is the tax exempt status of credit unions. Facilitating such affordable loans has enabled countless families to realize their dream of homeownership, one of the many reasons justifying credit unions' tax exempt status, Hood stated.

"The tax exempt status of credit unions must remain intact so that America's underserved consumers have continued access to the tools they need to open doors—doors to the automobiles that drive them to work and doors to the homes that provide shelter for their families," Vice Chairman Hood said underscoring his opinion.

National Hurricane Preparedness Week recognized

President Bush declared May 20–26 National Hurricane Preparedness Week to raise awareness of measures Americans can take to protect their families and finances in the event of violent weather conditions.

NCUA strives to strengthen its emergency readiness. Most recently, the agency improved contingency processes for information reporting and communication based upon lessons learned from government-wide exercises, contingency operations, and cross-agency working groups. Additionally, the agency continuously trains its staff to ensure they are prepared, knowledgeable and ready.

NCUA updated its examination program last year to ensure all credit unions are prepared for potential emergencies. In addition, the NCUA Board recently issued proposed changes to Parts 748 and 749 of the regulations

addressing catastrophic act preparedness for credit unions. These items are available on NCUA's web site by visiting: http://www.ncua.gov/RegulationsOpinionsLaws/proposed_regs/P-748.pdf and <http://www.ncua.gov/letters/2006/CU/06-CU-12.pdf>.

In the aftermath of a hurricane, quick access to funds is invaluable. Last June, U.S. Treasurer Anna Escobedo Cabral and NCUA Chairman JoAnn Johnson met to discuss an NCUA letter to credit unions regarding participation in GoDirect, an initiative to protect Americans by offering seamless delivery of federal benefits, including social security payments, directly into member accounts. The related letter to credit unions is online at <http://www.ncua.gov/letters/2006/CU/06-CU-09.pdf>. Credit unions can partner with the GoDirect campaign and obtain more information by visiting <http://www.godirect.org/> or calling toll-free: 1-800-333-1795.

“Education is vital in order to best prepare Americans for hurricanes and other emergencies,” stated Chairman Johnson. “As Chairman of the MyMoney.Gov Website Subcommittee, I am working to highlight the helpful educational resources included on the website. During Hurricane Preparedness Week, these resources were featured on the website Homepage.

Hurricane Preparedness Week also reminds us of the compassion demonstrated by the volunteers who are helping rebuild following previous hurricanes and those who stand ready to aid their fellow neighbors. “During my visits to the Gulf Coast region, I have witnessed firsthand the volunteer spirit demonstrated by America’s credit unions, and I commend you for your dedication and commitment to your members and the community,” Johnson said.

Register for the LA Task Force “Town Hall” meeting

NCUA Board Member Gigi Hyland, who chairs the NCUA Outreach Task Force, has opened registration for the July 16 Outreach Task Force “Town Hall” meeting being held in Los Angeles, Calif.

NCUA's Outreach Task Force, comprised of NCUA staff, was created to review recommendations from the Member Service Assessment Pilot Program (MSAP) and advise the NCUA Board based upon these findings.

“Since no decisions have yet been made on the issues under consideration, the contributions from the credit union community during the Town Hall meetings are absolutely vital to the deliberations of the Task Force,” stated Board Member Hyland.

The meetings, held thus far in Ohio, Massachusetts and Louisiana, encourage active participation from the credit union community by assigning attendees to tables, with each table coordinating responses which are reported to the audience and then discussed by all attendees. Topics include: NCUA programs and processes to encourage

outreach to underserved communities; value of a low-income designation; data collection on member income; and data collection on executive compensation.

The Los Angeles meeting is the fourth of six scheduled meetings. Please register online at: <http://www.ncua.gov/TH-Outreach/Index.htm>.



Coeur d'Alene, Idaho, May 17, 2007—Board Member Gigi Hyland with Gavin Gee, Director of Idaho Department of Finance, and Alan Cameron, President and CEO of the Idaho Credit Union League, at the Idaho League Annual Meeting.



Chairman praises underserved outreach at CU opening

NCUA Chairman JoAnn Johnson participated in the main branch grand opening of Pacoima Development Federal Credit Union, (PDFCU) in California's Northeast San Fernando Valley, home to a significant percentage of underserved communities. Along with officials from PDFCU, Chairman Johnson was joined by District Director Alberto Alvarado from the U.S. Small Business Administration, and Los Angeles City Councilman Richard Alarcon.

"The hard working families of this community deserve traditional financial services from an institution they can trust," said Chairman Johnson. "I'm very pleased that there is a credit union in this community offering an alternative to predatory lenders and pawn shops. This event is even more meaningful because the credit union now occupies a site once used by a pawn shop.

"I am also proud of PDFCU's commitment to financial education, which will empower the community with the necessary resources to achieve the American dream. PDFCU is another great example of how credit unions are making a positive impact in underserved communities across America," Johnson said.

PDFCU currently has 493 members, \$2.4 million in assets, and is the only



credit union operating in the Northeast San Fernando Valley. PDFCU's field of membership consists of Pacoima residents as well as those who live, work, worship, go to school, or own a business in the Northeast San Fernando Valley. Members of the Pacoima Chamber of Commerce and the Valley Industry & Commerce Association (VICA) are also eligible to join.

Nontraditional mortgage illustrations issued

NCUA joined other financial regulatory agencies in issuing illustrations to help financial institutions implement the consumer protection portion of the Interagency Guidance on Nontraditional Mortgage Product Risks adopted in 2006, which recommends institutions take steps to ensure consumers have clear, balanced information about nontraditional mortgages before choosing a mortgage product.

The illustrations consist of (1) a narrative explanation of nontraditional mortgage products, (2) a chart comparing interest-only loans and payment-option adjustable rate mortgages (ARMs) to

fixed-rate loans and traditional ARMs, and (3) a table that could be included with monthly statements for a payment-option ARM showing the impact of various payment options on the loan balance.

Issued as *Letter to Credit Unions 07-CU-07*, the illustrations are available online at <http://www.ncua.gov/letters/letters.html>. Institutions are not required to use the illustrations. They may provide information based on the illustrations or provide the consumer information guidance in an alternate format.

